CONTENTS.

BRIEF FOR APPELLANT.

		PAGE
I.	STATEMENT OF THE CASE	2
	Proceedings Below	2
	Plaintiff's Claim	3
II.	ASSIGNMENT OF ERRORS	8
III.	BRIEF OF ARGUMENT	11
	The Facts Pleaded	11
	The Decision Below	13
	Plaintiff's petition presents a case of contract, express or implied, and not a case of infringement	15
	The Law	18
	Plaintiff's action rests mainly upon the fundamental Leavitt patents, which alone afford support for plaintiff's claim	29
	Plaintiff's rights under the Sodeau patents, even if merely license rights, are exclusive and justify plaintiff's claim for royalty	37
	Plaintiff's claim based on 50 superheaters purchased from Whitehead is not barred	37
	Plaintiff is, in any event, entitled to recover under the Act of June 25, 1910	40

SUPPLEMENT TO BRIEF.

PAGE

As to matters contained in Petition for Certiorari for diminution of record 42

The Court of Claims had itself decided in this case that plaintiff's petition set forth a cause of action on contract 42

The Court of Claims should have permitted the filing of the Second Amended Petition 44

The Court of Claims erred in penalizing plaintiff by reason of a merely technical default 46

The Court of Claims should have granted plaintiff's Petition for Rehearing on the showing made 46

CASES CITED.

PAGE

Bethlehem Steel Co. v. United States, 42 Ct. Cl., 365. 27

Bliss v. United States, 248 U. S., 37..... 3

Cramp & Sons Co. v. International Co., 246 U. S., 28, 40 29

Dowagiac Mfg. Co. v. Plow Co., 235 U. S., 641..... 41

Dunlop Pneumatic Tyre Coy., Ltd., v. North British Rubber Coy., 21 R. P. C., 161, 172..... 33

Farnham v. United States, 240 U. S., 537..... 41

Harley v. United States, 198 U. S., 229..... 16

Littlefield v. Perry, 21 Wall., 220..... 33

McKeever v. United States, 14 Ct. Cl., 396..... 16

Palmer v. United States, 128 U. S., 662..... 16

Russell v. United States, 182 U. S., 516.....16, 22

Schillinger v. United States, 155 U. S., 163..... 16

Societe Cail v. United States, 224 U. S., 309.....16, 23

United States v. Berdan, 156 U. S., 552.....16, 20

United States v. Lynah, 188 U. S., 445..... 29

United States v. Palmer, 128 U. S., 262..... 18

Waterman v. Mackenzie, 138 U. S., 252..... 39

IN THE

Supreme Court of the United States

E. W. BLISS COMPANY, Appellant, vs. THE UNITED STATES, Appellee.	Appeal from the Court of Claims.

BRIEF FOR APPELLANT.

This is an appeal from a judgment of the Court of Claims dismissing appellant's petition for a recovery of royalties or license fees for use under contract of patented inventions.

The transcript of record is inadequate, and a petition for certiorari for diminution of record was presented to this Court, which on January 27, 1919, was denied without prejudice. Notice has been given that this petition will be renewed at the hearing of the present appeal. In view of the uncertainty regarding the granting of such petition, the main part of this brief will be based on the record as it stands, and matters resting on the desired additions to the record will be treated in a supplement (pp. 42-48).

To avoid confusion, appellant (called in the petition to the Court of Claims the "petitioner") will in this brief be referred to as plaintiff.

I.

Statement of the Case.

The principal question raised by this appeal is whether plaintiff's petition to the Court of Claims states a cause of action in contract. As a large part of plaintiff's claim arose prior to the Act of June 25, 1910, 36 Stat., 851, such portion can be sustained only upon the theory of contract, express or implied.

Another but subordinate question involves the sufficiency of plaintiff's title to certain subsidiary patents for improvements (known as the Sodeau patents).

A third but minor question involves the sufficiency of plaintiff's petition as showing that the first transaction pleaded (involving superheaters for fifty torpedoes) is not barred by the Statute of Limitations.

Proceedings Below. The original petition does not appear in the record (it is printed in Petition for Certiorari, p. 6, as "Appendix 1"). It was filed May 29, 1914. A motion by defendant to dismiss was filed, argued and dismissed (Rec., p. 1). A motion was then made by defendant to strike out certain parts of the petition, and after argument the Court required plaintiff to set forth more fully its title to patents named in paragraph 5 of the petition (the Sodeau patents) and to

amend its petition (Rec., p. 1). Thereupon plaintiff filed its amended petition (Rec., pp. 1-9) and "Appendix A" (pp. 9-12), being the instrument giving it title to such patents. Thereupon, on April 7, 1917, defendant filed a demurrer and motion to strike out parts of the amended petition (Rec., p. 12); the case was ordered on the Law Calendar, and on June 2, 1917, defendant filed a substituted demurrer and motion (given in full, Rec., p. 13), which was submitted without argument (the statement in Rec., p. 14, under VI, is incorrect; see Petition for Certiorari, p. 5); and on December 3, 1917, the Court filed its opinion (Rec., p. 14) and entered an order (p. 24). After further proceedings (Rec., p. 25), judgment was entered dismissing plaintiff's petition (pp. 25-26).

Plaintiff's Claim. Plaintiff's amended petition sets forth:

That plaintiff, a West Virginia corporation, "is the maker and owner of the Bliss-Leavitt torpedo, which it has made for many years for the United States Government" (Rec., p. 1). (That this torpedo has for many years been the standard torpedo of the United States Navy is so well known that it must be a matter of judicial knowledge; see *Bliss* v. *United States*, 248 U. S., 37.)

That plaintiff is the sole and exclusive owner of the patents for an "invention and improvements thereof" for the structure known as a "superheater."

> "That said superheater is a device whereby fuel is burned in the compressed air driving the motor by which the torpedo is propelled, so that the compressed air is heated to a high degree before its energy is utilized and

by means of which its energy is vastly increased" (Rec., p. 2, par. 3).

That said superheater invention was covered by two named patents granted February 25, 1902, to plaintiff as assignee of FRANK M. LEAVITT (p. 2, par. 4). These will be referred to in this brief as the "Leavitt patents."

That certain improvements in said superheater were invented by one SODEAU and acquired by SIR ARMSTRONG, WHITWORTH & COMPANY, LTD., who on April 10, 1905, entered into a written instrument (annexed as "Exhibit A") with plaintiff (p. 2, par. 5-a) which granted unto plaintiff and its assigns "the sole and exclusive license and authority to make, use and vend the inventions" of the recited patents for said improvements "for the whole period of the terms thereof, in the manufacture of apparatus for heating compressed air for the purpose of propelling Bliss-Leavitt torpedoes * * * and Whitehead torpedoes sold only to the United States Government" (par. 5-d).

The several Sodeau patents are named in paragraph 5, sub-paragraphs (b) and (e). The details of plaintiff's title thereto are set forth in sub-paragraphs (a), (d), (f), (g) and (h) of paragraph 5 (Rec., pp. 2-4).

That said patents *"are subservient to said" Leavitt patents, "and could not be used in torpedoes without employing the inventions covered by said" Leavitt patents* (Rec., p. 3, par. 5, sub. [c]).

That in October, 1916, defendant, through its Bureau of Ordnance of the Navy Department, requested a list of plaintiff's patents covering the Bliss-Leavitt torpedo and the amount of royalty which plaintiff would charge defendant for the use

thereof. Thereupon plaintiff furnished such list, "which included said superheater patents" (par. 9).

That on June 14, 1907, defendant by telegraph requested plaintiff's permission to purchase torpedoes from Whitehead & Company containing said superheater inventions. Plaintiff replied by telegraph that it desired to render every assistance to the Government on a proper business basis. Thereupon, on June 17, 1907, plaintiff conferred with the Chief of Ordnance, and it was agreed that the Government might purchase not more than 100 torpedoes from Whitehead, "the amount of the royalty for the use therein of said superheater inventions to be later settled and agreed upon" (p. 5, par. 9).

(Defendant's request for plaintiff's permission to purchase these torpedoes was due to the facts stated in par. 10-a.)

That subsequently defendant bought of Whitehead & Company, pursuant to said agreement, fifty torpedoes containing said superheater inventions, which were brought into the United States subsequent to June 1, 1908 (being within six years of the filing of plaintiff's petition—p. 6, par. 9).

That in November, 1907, defendant by letter requested plaintiff to submit proposals for royalty to be paid by the Government for the manufacture of superheaters for installation in Whitehead or other torpedoes, and price to be paid for superheaters manufactured by plaintiff (p. 6).

That thereupon petitioner, by letter dated November 25, 1907, proposed as royalty for the manufacture of superheaters, $500, and as price to be paid for superheaters manufactured by plaintiff, to be installed by the Government, $650 (p. 6).

That defendant, by letter of November 29, 1907, stated that the matter would be laid before the Torpedo Board on December 3, 1907, and invited plaintiff to attend. Plaintiff's executive officers attended said meeting and explained the reasonableness of said royalty (p. 6).

That by contract of June 4, 1908, defendant agreed to pay plaintiff $650 each for twenty superheaters containing said patented inventions; said contract was duly performed and the price paid (p. 6).

That defendant, by letter of December 12, 1910, requested a reduction of royalty proposed in plaintiff's letter of November 25, 1907. Plaintiff replied declining to reduce the amount of said royalty (p. 6).

That by contract of April 18, 1911, plaintiff agreed to furnish seventy-five superheaters containing said patented inventions to the Government at $650 each; said contract was duly performed and the contract price paid (p. 6).

That defendant by letter of April 27, 1911, requested additional superheaters "to replace ones on which the royalty had already been paid, and requested that for this reason the price for these new superheaters be reduced"; that accordingly, by contract of June 16, 1911, plaintiff agreed to supply 100 superheaters containing said patented inventions at $200 each; said contract was duly performed and the purchase price paid (p. 7).

That by letter of March 13, 1912, defendant repeated its request for a reduction of the $500 royalty for superheaters. Plaintiff, by letter of March 19, 1912, declined to grant any reduction, and no reduction has ever been granted, and plaintiff has never consented to the use of said patented inven-

tions or improvements by defendant without payment of said royalty of $500 each (p. 7).

That defendant purchased from Whitehead & Company additional torpedoes containing said patented superheater inventions, namely:

130	torpedoes,	July 7, 1908;
180	"	March 29, 1911;
50	"	October 25, 1911.

That, in addition, defendant has made since April 13, 1915, or is engaged in making, 100 superheaters in the United States containing said patented improvements (p. 7, par. 10).

That prior to said telegraphic request of June 14, 1907, said Armstrong Company had licensed Whitehead & Company to use the Sodeau inventions, but subject to plaintiff's rights under contract of April 10, 1905 (Appendix A), and that shortly before June 14, 1907, said Whitehead & Company informed the Bureau of Ordnance of the United States Navy that they were not at liberty to sell Whitehead torpedoes to the United States containing such superheater, without plaintiff's permission; that the Chief of Ordnance so informed plaintiff and requested plaintiff's permission, because defendant knew that under said contract (Appendix A) plaintiff alone had the right to sell such superheaters to the United States (p. 7, par. 10-a).

That the fair and reasonable royalty for each of said superheaters is $500, which is also the stipulated and agreed royalty, as above stated (p. 8, par. 11).

That plaintiff has at various times demanded from defendant payment of said royalty of $500

for each of the 510 superheaters referred to, but the defendant has paid no part thereof and is indebted to plaintiff in the sum of $255,000, which is due and unpaid (p. 8, par. 12).

Following the above are the necessary formal averments (p. 8, pars. 13-16).

The provisions of the Armstrong-Bliss contract, marked Appendix A, and their legal effect, will be hereinafter set forth in the argument.

II.

Assignment of Errors.

The plaintiff-appellant presented on this appeal the following assignment of errors:

1. The Court erred in holding and deciding that plaintiff's petition does not set forth a cause of action *ex contractu*.

2. The Court erred in holding and deciding that plaintiff's petition does not set forth a cause of action *ex contractu* except as to superheaters in the first 50 torpedoes referred to in paragraph 9.

3. The Court erred in holding and deciding that as to such 50 torpedoes plaintiff's claim is not so set forth in its petition as to negative the bar of the Statute of Limitations.

4. The Court erred in holding and deciding that as to the remaining 460 superheaters set forth in plaintiff's petition, such petition sets forth no cause of action, and in refusing to allow plaintiff to take evidence in support of its claim for compensation therefor.

5. The Court erred in holding and deciding that plaintiff's petition as amended does not set forth such title to the patents claimed under as will support plaintiff's claim to recover compensation for the purchase and use by defendant of torpedoes or superheaters therefor, containing the patented inventions.

6. The Court erred in holding and deciding that plaintiff's petition does not set forth legal title in plaintiff to the Leavitt patents recited in paragraph 4.

7. The Court erred in holding and deciding that plaintiff's petition as amended does not set forth such title or rights in plaintiff to or under the Armstrong Company's patents recited in paragraph 5, sub-paragraphs (a) to (h) inclusive, as enabled plaintiff to enter into an agreement with defendant for the purchase and use by defendant of torpedoes or superheaters containing the patented inventions, and entitled plaintiff to recover compensation for such use.

8. The Court erred in denying plaintiff's petition to file the second amended petition.

9. The Court erred in denying plaintiff permission to file so much of said second amended petition as was within the authorization to amend contained in the Court's order of December 3, 1917, namely, the amendments to paragraph 9 contained in sub-paragraph (c).

10. The Court erred in holding that plaintiff was in default in failing to amend its petition as required in the Court's order of December 3, 1917, within the time (January 15, 1918) limited in said order, in view of the showing that neither plain-

tiff's attorney nor counsel had been served with said order or otherwise notified thereof, and the plaintiff and its counsel had no knowledge of the time limit in said order until after said time had expired.

11. The Court erred in refusing to excuse the alleged default of plaintiff in failing to so amend its petition within the time (January 15, 1918) limited in said order of December 3, 1917, in view of the showing on plaintiff's motion that plaintiff's attorney of record was then mortally ill and died five days after the entry of said order, that plaintiff's other counsel were remote from the Court, and its senior counsel was immediately afterward incapacitated by serious illness from attending to any business, and the remaining counsel did not learn of the entry of said order, or of said time limit, until after said time had expired, and although preoccupied with other court engagements, diligently proceeded to procure information and prepare such second amended petition and a petition for leave to file the same, and a brief thereon, and other papers, and filed all such papers February 18, 1918.

12. The Court erred in denying plaintiff's petition for rehearing in the face of the showing in such petition that the Court had erred in matter of law, in holding that plaintiff's petition did not, except as to the first 50 torpedoes or superheaters therefor set forth therein, set forth a cause of action *ex contractu*.

13. The Court erred in dismissing plaintiff's petition.

14. The Court erred in dismissing plaintiff's petition *in toto* under Rule 18 of the Rules of the Court

of Claims, when the alleged uncertainty as to when its claim first accrued applied to only 50 torpedoes, and the petition was free from uncertainty as to the remaining 460 torpedoes or superheaters therefor, on which plaintiff's petition is based.

15. The Court erred in dismissing plaintiff's petition as to 330 torpedoes or superheaters therefor as to which said petition avers that defendant purchased or has made the same at dates since June 25, 1910, and as to which plaintiff has a cause of action for infringement under the Act of June 25, 1910 (36 Statutes, 851).

III.

Brief of Argument.

The decision below being on demurrer, the facts pleaded in the petition are to be taken as established for the purposes of this appeal.

The Facts Pleaded. The allegations are, briefly, that plaintiff, being the owner and maker of the Bliss-Leavitt torpedo, which it has made for many years for the United States Government, acquired from its assignor LEAVITT patents for a "superheater," which constituted an important improvement in torpedoes whereby the energy of the torpedo is vastly increased, and that one SODEAU invented certain improvements thereon covered by subservient patents which were assigned to the ARMSTRONG COMPANY, from which plaintiff acquired exclusive rights in the United States. That in 1906 the defendant, through its Navy Department, requested

a list of plaintiff's patents and the amount of royalty which plaintiff would charge thereunder; and plaintiff furnished such list, including its superheater patents (par. 9-b). That in June, 1907, the defendant, desiring to purchase torpedoes from Whitehead & Company, and being informed by said company that they were not at liberty to sell these containing the Armstrong superheater without plaintiff's permission, requested plaintiff's permission to purchase torpedoes from Whitehead & Company containing such superheater inventions, and plaintiff then consented to such purchase of 100 torpedoes containing such superheater inventions, the amount of royalty therefor to be later settled and agreed upon, and defendant thereupon purchased 50 such torpedoes. That in November, 1907, defendant again asked plaintiff for royalty proposals, and plaintiff then proposed a royalty for the superheater of $500 each, and offered to manufacture superheaters for $650 each, which amount included such royalty. That thereafter, in June, 1908, and again in April, 1911, the defendant contracted for two lots of superheaters at $650 each according to such proposal. That in 1911 defendant wanted additional superheaters to replace those on which the royalty had already been paid and requested for this reason that the price be reduced, and accordingly a contract was made for such additional superheaters at $200 each. That in addition to said first purchase of 50 torpedoes from Whitehead & Company, defendant in 1908 and 1911 purchased three other lots of such torpedoes containing such superheaters; and that defendant has since made 100 superheaters in the United States. And that on two occasions, in December, 1910, and

March, 1912, defendant asked plaintiff to reduce its royalty of $500 for superheaters; that plaintiff both times declined to grant such reduction and has never consented to receive less than $500 royalty from defendant for the use of each such superheater.

The Decision Below. The Court of Claims discusses first its jurisdiction prior to the Act of June 25, 1910, when it had no jurisdiction over claims for damages in cases "sounding in tort," and the enlargement of its jurisdiction by that Act to cases of alleged infringement.

It then cites (p. 15) certain decisions of the United States Supreme Court, wherein it was held that the Court of Claims had no jurisdiction, because on the facts pleaded or proven there was no contract, express or implied, on which the claim was based.

The Court then further considers the effect of the Act of 1910 (p. 16), and then enters upon a discussion of the title under which the "owner" of a patent may recover compensation under that Act. Its reasoning on this question of title (p. 17) appears to proceed on the theory that this suit was brought under the Act of 1910, whereas it was brought on the theory of contract, not of tort.

The Court then subdivides the transactions alleged in the petition as (1) the purchase by the Government of 50 Whitehead torpedoes containing the superheater in question; (2) the purchase by the Government at different times in 1908 and 1911 of 360 Whitehead torpedoes containing said superheater; (3) the making by the Government of an additional 100 of such superheaters.

The Court then proceeds (pp. 18, 19) to discuss plaintiff's title under the Armstrong contract (Appendix A), stating that "the question before us is whether the right granted by the Armstrong Company to the Bliss Company" in terms stated "amounts to such a transfer of ownership as will sustain an action by the Bliss Company under the Act of 1910" (p. 20). Herein the Court erred in assuming that the suit was brought under the Act of 1910. The Court then, after further discussion (p. 20), reaches the conclusion (p. 21) that "the grant to the Bliss Company was a mere license" and the plaintiff "being a mere licensee cannot sue for infringement," wholly overlooking that this suit was not brought for infringement, but for recovery of damages based upon contract.

The Court holds that the claim as to the 100 superheaters made by the United States is a claim for infringement. Plaintiff contends that this is a claim for a licensed use of the invention, being the reverse of infringement.

The Court holds that the claim for the 360 torpedoes purchased is not based on contract, express or implied, because "it is not averred that defendant purchased them with plaintiff's consent or permission * * *. The defendant dealt with Whitehead and Co. not in recognition of any rights of the plaintiff, but in antagonism to and disregard of them" (p. 21). Further, that plaintiff cannot maintain this action by reason of said 360 torpedoes on the theory of tort because the plaintiff "being a mere licensee and not the owner of the patents, cannot sue for infringement" (p. 22), wholly ignoring the allegation of the petition that as respects the fundamental Leavitt patents, the plaintiff is

the sole owner thereof, so that on these patents it could maintain its action on either the theory of tort or the theory of contract.

As regards the first 50 torpedoes (which the Court discusses, pp. 22, 23), the Court is apparently in doubt whether the allegations are sufficient to establish a contract; but holds that the allegations do not establish that plaintiff's claim as to these had accrued within six years prior to the filing of the original petition, and directed that plaintiff make more specific the allegations as to the alleged agreement and date of purchase of the 50 superheaters (p. 24).

Plaintiff attempted to comply with this requirement and filed a second amended petition, but "the Court overruled the motion for leave to file such second amended petition" (p. 25), and entered judgment dismissing the petition (p. 26).

Plaintiff's petition presents a case of contract, express or implied, and not a case of infringement.

This suit was brought on the theory that the Government had used plaintiff's patents with plaintiff's consent and under an agreement, partly expressed and partly implied, that plaintiff should be paid a royalty for each superheater used.

Plaintiff's principal patents as stated in the petition are the Leavitt patents, and for the discussion of this question it is needless to consider plaintiff's title to the subordinate Sodeau patents.

The crucial distinction where claims under patents are presented in the Court of Claims is whether the Government used the invention in recognition of the rights of the patentee, or in disregard and

infringement thereof. When the Government has not disputed or denied the patentee's rights and has used the invention upon his invitation or with his consent, its use has invariably been held to be a use pursuant to contract, either express or implied, and to involve liability of remuneration, either by the payment of an agreed royalty or upon a *quantum meruit* as a fair and reasonable royalty.

> *Palmer* v. *United States,* 128 U. S., 662.
> *McKeever* v. *United States,* 14 Ct. Cl., 396 (affirmed by Supreme Court without opinion).
> *United States* v. *Berdan,* 156 U. S., 552.
> *Societe Cail* v. *United States,* 224 U. S., 309.

In the contrary class of cases, where the Government had no dealings with the patentee, where if he offered his invention it was refused, where his patent was not recognized or acquiesced in, and where the use by the Government was clearly hostile to the claims of the patentee, then—and only in such cases—the Government's use of the invention has been held to be an infringement, or a case sounding in tort. Of such are

> *Schillinger* v. *United States,* 155 U. S., 163.
> *Harley* v. *United States,* 198 U. S., 229.
> *Russell* v. *United States,* 182 U. S., 516.

The Court of Claims in its decision appealed from holds as to superheaters for 460 torpedoes that the averments of the petition bring plaintiff's claim

under the rule of the second class of cases above cited. The true view, it is submitted, is that such averments come clearly under the rule of the first class of cases.

No fact averred indicates that at any time the Government disputed or denied plaintiff's rights as the patentee of the superheater in question. On the contrary, the facts pleaded indicate clearly that the Government recognized plaintiff's ownership of controlling patents covering this superheater. This is evidenced by the Government's adoption of the Bliss-Leavitt torpedo containing this superheater; by its application to plaintiff for permission to buy from Whitehead torpedoes containing this superheater; by its request for a list of plaintiff's patents, and for a statement of royalties proposed; by its subsequent acknowledgment of plaintiff's proposition as to royalty, and designation of a board to consider the same; by its twice contracting for superheaters at a price of $650 pursuant to plaintiff's proposal, which was alternative to a royalty of $500, the larger sum including this royalty; and by its ordering of a lot of superheaters to replace those on which royalties had been paid, and at a price ($200) indicating that the royalty was remitted. These facts are consistent only with the recognition of plaintiff's patents and an acknowledgment that defendant had the right to use them only on payment of royalty, and an acquiescence in the sum of $500 as a fair royalty. Twice, however, the Bureau requested the plaintiff to reduce this royalty, which plaintiff twice declined to do; these facts are not inconsistent with the other facts pleaded, but tend strongly to support the conclusion that it was the understanding of the Govern-

ment's officers that its use of the superheater required the payment of a royalty, and an effort merely to make a better bargain by reducing the amount thereof.

The facts thus pleaded, we contend, justify no other conclusion than that plaintiff's claim is founded upon contract, which in the case of the first 50 torpedoes was an express contract, leaving only the amount of royalty indeterminate; and in the case of the remaining 460 torpedoes or superheaters, was necessarily implied from all the facts recited, which indicate a complete understanding between the parties, even as to the amount of royalty.

The Law. The cases already decided by this Court concerning claims for patent royalties based upon the showing of a contract, express or implied, unquestionably establish the correctness of plaintiff's contention.

In *United States* v. *Palmer,* 128 U. S., 262, the facts were that Palmer, upon the appointment of an Army board to consider equipments for infantry soldiers, exhibited his patented inventions to said board, which considered the same and recommended their adoption by the War Department, and they were subsequently adopted and largely manufactured. The Government defended on the ground that the plaintiff's claim was founded on a tort and not a contract. The Supreme Court said:

> "This assumption of the appellant is erroneous. No tort was committed or claimed to have been committed. The Government used the claimant's improvements with his consent; and, certainly, with the expecta-

> tion on his part of receiving a reasonable compensation for the license. This is not a claim for an infringement, but a claim of compensation for an authorized use—two things totally distinct in the law, as distinct as trespass on lands is from use and occupation under a lease. The first sentence in the original opinion of the court below strikes the keynote of the argument on this point. It is as follows: 'The claimant in this case invited the Government to adopt his patented infantry equipments, and the Government did so. It is conceded on both sides that there was no infringement of the claimant's patent, and that whatever the Government did was done with the consent of the patentee and under his implied license.' We think that an implied contract for compensation fairly arose under the license to use, and the actual use, little or much, that ensued thereon. The objection, therefore, that this is an action for a tort falls to the ground."

In the case at bar plaintiff's torpedoes had been presented to and adopted by the Government, which implies an official recognition of the patents for the inventions embodied therein; the Government had asked proposals as to royalties for the superheater, from which a recognition of plaintiff's rights as patentee is to be implied; the Government had expressly asked and received plaintiff's permission to import torpedoes containing the patented superheaters; and it had repeatedly purchased superheaters from plaintiff on terms involving an acquiescence in the royalty named by plaintiff. In the *Palmer* case the facts that no royalty was agreed to, and that no express license

was given, were held not to defeat a claim for fair and reasonable royalty.

In *United States* v. *Berdan Firearms Co.*, 156 U. S., 552, the facts were that Berdan invented an extractor ejector for guns and assigned the patent to the petitioner; he was in constant communication with the ordnance officers and requested the use of his devices by the Government. One of his inventions was exhibited in competition with other guns to a board of officers, which recommended the adoption of his invention; but no gun was bought by the Government from the petitioner and none manufactured which was a copy of the one recommended. The Government, however, used a similar construction, except that a different spring was used, which this Court found to be an immaterial difference.

The Supreme Court held that something more than a mere infringement or tort was necessary to maintain the action; and, reviewing the findings, said:

> "So far, then, as the petitioner is concerned, the use of this invention was with its consent, in accordance with its wish, and with the thought of compensation therefor."

The case at bar involves precisely the same circumstances. This Court further said:

> "While the findings are not so specific and emphatic as to the assent of the government to the terms of any contract, yet we think they are sufficient. There was certainly no denial of the patentee's rights to the invention; no assertion on the part of the government that the patent was wrongfully issued;

> no claim of a right to use the invention regardless of the patent; no disregard of all claims of the patentee, and no use in spite of protest or remonstrance. Negatively, at least, the findings are clear. The government used the invention with the consent and express permission of the owner, and it did not, while so using it, repudiate the title of such owner" (156 U. S., 567-568).

This Court further found that the War Department had neither admitted nor denied claimant's right to compensation, although the Army officers regarded Berdan as the inventor of the device; "that they used it with his permission as well as that of his assignee, the petitioner, and that they used it with the understanding that the government would pay for such use, although they did not believe themselves to have the authority to agree upon the price." This Court held that these facts brought the case clearly within *United States* v. *Palmer, supra,* and showed that it was not founded upon a tort, "but upon a contract to which both parties assented."

This holding in the *Berdan* case applies with much greater strength in favor of plaintiff's claim in the case at bar, where the facts pleaded are immeasurably stronger than those found in the *Berdan* case.

The Supreme Court further said:

> "That no price was agreed upon, or that the officers of the government were not authorized to agree upon a price, is immaterial."

So in the present case, although the price for some superheaters was agreed upon, it would clearly appear that a failure to agree on a price for all superheaters does not tend to defeat plaintiff's claim.

In passing, it may be well to consider wherein the two cases above cited, and plaintiff's case at bar, differ from the case of *Russell* v. *United States*, 182 U. S., 516 (cited by the Court of Claims in its opinion, Rec., p. 15). Russell claimed that certain features of his patented rifle were contained in the Krag-Jorgensen magazine gun which had been lately adopted by the War Department. The War Department declined to recognize or consider his claim. The Supreme Court, after reviewing the facts, said:

> "It was not deemed necessary even to grant his request for a hearing. His rifle was not adopted; another was. There was no concession of his rights. * * * Indeed, the Ordnance Office twice wrote Captain Russell that his case could not be determined by it. No contract, therefore, based on the action of that office can be claimed. If petitioners have suffered injury, it has been through the infringement of their patent, not by a breach of contract, and for the redress of an infringement the Court of Claims has no jurisdiction" (182 U. S., 535).

The crucial distinction between these opposing cases is that in the *Palmer* case and the *Berdan* case "The claimant invited the government to adopt his patented invention and the government did so"; while in the *Russell* case "His rifle was not adopted; another was. There was no concession of his rights." In the case at bar, the Bliss-

Leavitt torpedo was offered to and adopted by the Government; it contained the superheater in issue; the Government repeatedly purchased superheaters separately, at a price which was understood to include the royalty; the Government expressed its desire to manufacture these superheaters itself, and accordingly asked plaintiff to propose a suitable royalty, and plaintiff did so; and the Government, desiring to purchase a foreign and competing torpedo containing the same superheater invention, applied to plaintiff for its permission so to do, which permission plaintiff gave on the understanding that the question of royalties would be adjusted later. These facts bring the present case within the holdings in the *Palmer* and *Berdan* cases, and effectually distinguish it from the *Russell* case.

In *United States* v. *Societe Anonyme etc. Cail*, 224 U. S., 309, the claim was based upon the De Bange obturator or gas check for breech-loading cannon to prevent the escape of gas. The facts found were that a board of Army and Navy officers concerning heavy ordnance, visited the claimant's works at Paris and reported on the De Bange gas check; that a specimen was forwarded from France by our naval attaché; that our ordnance officers, after experimenting with it, adopted it, and have used no other device since; that the Government never disputed the claim of De Bange as inventor; that De Bange repeatedly wrote to the Government urging that he should be remunerated; that the Bureau of Ordnance stated that they had no funds applicable for the payment of any such claim, and the Secretary of the Navy suggested that the applicant refer the matter to the Court of Claims.

The Government's contention was that the mere use of a patentee's invention with his knowledge does not create an implied contract in fact to pay for such use, and that there must be, first, a use with the patentee's assent, and, second, a meeting of minds as to compensation for the use. The Supreme Court said:

> "But these elements do not have to appear by the explicit declaration of the parties. They may be collected from their conduct. The alternative of a contract is important to be kept in mind. The officers of the government knew of the De Bange invention and were aware of its great importance, and the purpose to deliberately take property of another without the intention that he should be compensated—in other words, to do plainly a wrongful act—cannot be imputed to them without the most convincing proof. Such proof does not exist in the present case. On the contrary, the record shows that compensation was contemplated."

This Court cited with approval the extract hereinabove made from the *Berdan* case, and said: "Like comment may be made of the facts in the case at bar"; and, after further discussion, held that the Court of Claims had jurisdiction (224 U. S., pp. 321-322).

Here was a case where the Government adopted an invention that had apparently not even been offered to it, although the inventor and his assignees subsequently signified their assent and demanded compensation. This Court said: "There was hesitancy and doubt, not as to compensation, but as to the amount and extent of it" (p. 320). Here, again, the fact that the minds had not met on the

amount of the compensation or royalty is found by this Court to be no obstacle to the conclusion that an implied contract existed.

The Court of Claims in its opinion appears to hold (Rec., p. 21) that the first 50 Whitehead torpedoes with superheaters purchased with plaintiff's express consent, support plaintiff's claim for compensation by royalty, although the amount of royalty was not agreed; but that, as to the remaining 360 torpedoes purchased from Whitehead & Company, this claim "is not based upon contract, express or implied" (p. 21).* The fact averred is that plaintiff gave its consent to the use of its patented inventions by the Government in the expectation of receiving a reasonable royalty; but has never consented to accept a lower royalty than that which it proposed. The use, nevertheless, by the Government, has been with plaintiff's full consent and license. This, we submit, is the obvious intent of the pleading, although the statement might have been more clearly expressed.

As to the 360 torpedoes last purchased by the Government from Whitehead & Company, the Court

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* This conclusion is apparently in part based upon the statement at end of paragraph 9 of plaintiff's petition (Rec., p. 7), that "petitioner has never consented to the use of the said patented inventions * * * by defendant without payment of said royalty of five hundred dollars," an expression which was not intended to receive the interpretation which the Court has given it, and which is corrected in the second amended petition to read: "and petitioner has never consented to receive for the use of said patented inventions * * * a less compensation than said royalty of five hundred dollars each."

below infers that the Government dealt with Whitehead & Company "not in recognition of any rights of the plaintiff, but in antagonism to and disregard of them."* The pleading on which this holding was based (par. 10) is a mere statement of facts following and coincident with the circumstances recited at length in paragraph 9, the intended and necessary inference from which is that these purchases and manufacture of 460 superheaters by the Government were pursuant to its understanding with plaintiff and by plaintiff's express consent. The agreement was complete except as to the exact amount of royalty to be paid, and as to this plaintiff is at least entitled to a *quantum meruit*.

It is further submitted that, in the light of the Government's adoption of the Bliss-Leavitt torpedo, its continued use of this torpedo as the standard torpedo in the Navy, its continuous recognition of plaintiff's rights under its patents for this torpedo, including the superheater patents, its repeated orders for superheaters at plaintiff's prices, both with and without royalty, its request for terms as to royalty so that it might manufacture under license, and the pains taken to procure plaintiff's consent when it was first

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* Plaintiff proposed in the second amended petition to make this pleading more explicit by adding the following to par. 10:

> "And that all of said purchases, so far as concerns the superheaters in or adapted to said Whitehead torpedo, and all of said manufacture of superheaters by defendant, have been with petitioner's consent and license and with the understanding and expectation by petitioner that petitioner should receive therefor its royalty for said superheaters as hereinbefore stated."

proposed to import 100 Whitehead torpedoes including plaintiff's patented superheaters—it necessarily follows from this long and consistent record that the Government in its later importations of Whitehead torpedoes containing such superheaters cannot be presumed to have suddenly reversed its oft-declared policy and conduct and to have adopted an inconsistent position of hostility towards plaintiff's rights. On the contrary, the fair inference is that these later purchases were understood and implied to be upon the same basis as to license and royalty as the first purchase, for which plaintiff's express license was obtained. To adopt the language of the Supreme Court in the *Societe Cail* case, above cited,

> "The purpose to deliberately take property of another without the intention that he should be compensated—in other words, to do plainly a wrongful act—cannot be imputed to them (the Government's officers) without the most convincing proof" (224 U. S., 321).

Among the decisions of the United States Supreme Court we find no case in which any such inference is drawn contrary to an inconsistent line of conduct.

The decision of the Court below in the case at bar is inconsistent with its holding in the case of *Bethlehem Steel Co.* v. *United States,* 42 Ct. Cl., 365, in which said Court decided that where certain trial guns were first made by express permission of the patentee, and the Government later made other guns without his knowledge, a contract to pay royalty for the use of the invention was to be inferred. That case was less favorable to the claimant than

this, because there the Government's use was made without the plaintiff's knowledge. But the Court of Claims, after showing that the Government had recognized the claimant's private ownership, said:

> "With such knowledge on the part of the officers of the Government respecting private ownership of a patent, it would be a monstrous injustice to hold that because the owner had no knowledge of the use of its patent at the particular time, therefore no promise to pay can be implied."

We submit that this case should have been conclusive in support of plaintiff's claim to remuneration for superheaters in the 360 Whitehead torpedoes subsequently purchased by the Government without procuring plaintiff's express consent and license. Plaintiff had already given its license to an earlier purchase, and its continued license for the later purchases must be implied. Plaintiff had reason to fully expect remuneration to the extent of the use by the Government of its patented inventions.

This Court, in *United States* v. *Lynah,* after reviewing numerous prior decisions, including those in the *Palmer* case and the *Berdan* case, said:

> "The rule deducible from these cases is that when the Government appropriates property which it does not claim as its own, it does so under an implied contract that it will pay the value of the property it so appropriates" (p. 464).
>
> * * * * * *
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> "Whenever in the exercise of its governmental rights it takes property the ownership of which it conceded to be in an indi-

vidual, it impliedly promises to pay therefor. Such is the import of the cases cited, as well as of many others" (p. 465).

United States v. *Lynah,* 188 U. S., 445.

The Supreme Court has stated that at the time of the enactment of the Act of 1910, it was indisputably established that,

> "where an officer of the United States, within the scope of an official authority vested in him to deal with a particular subject, having knowledge of existing patent rights and of their validity, appropriated them for the benefit of the United States by the consent of the owner, express or implied, upon the conception that compensation would be thereafter provided, the owner of the patent right taken under such circumstances might, under the statute law of the United States permitting suits against the United States on contracts, express or implied, recover by way of implied contract the compensation which might be rightly exacted because of such taking."

Cramp & Sons Company v. *International Company,* 246 U. S., 28, 40.

Plaintiff's action rests mainly upon the fundamental Leavitt patents, which alone afford support for plaintiff's claim.

The Court of Claims apparently was led astray by the lengthy recitals of title concerning the Sodeau patents, and wholly overlooked the greater importance given by plaintiff's petition to the Leavitt patents.

The petition defines the "superheater" and states that by its use the compressed air driving the motor by which the torpedo is propelled "is heated to a high degree before its energy is utilized, and by means of which its energy is vastly increased" (p. 2, par. 3). And that this "said superheater invention" was covered by two recited patents "duly granted on February 25, 1902, to petitioner as the assignee of the inventor Frank M. Leavitt" (par. 4).

If the petition had stopped here and had not recited the later Sodeau inventions for improvements over the Leavitt superheater, the Court could not have justified its conclusion that plaintiff did not have such title as would sustain this suit, because the petition recites the grant of the two Leavitt patents to plaintiff as the assignee, and further recites in detail the respective assignments (par 4).

Coming then to the Sodeau improvements, it recites "that certain *improvements* in said superheater" made by Sodeau were acquired by the Armstrong Company, and establishes their subordinate position by the statement that each and all of said patents "were and are *subservient to* said patents Nos. 693,871 and 693,872 [the Leavitt patents] and could not be used in torpedoes without employing the invention covered by said last-named patents" (p. 3, sub-par. *c*).

The Leavitt patents were granted February 25, 1902. The Sodeau patents came long afterward, being based upon an English patent dating from November 17, 1904, corresponding United States patents having been granted in August, 1906 (p. 2, sub-par. *b*), and the later patents having dates ranging between 1906 and 1911 (p. 3, sub-par. *c*).

We submit that as to the Leavitt patents, plaintiff's petition recites absolute ownership by plaintiff, affording a foundation for this action whether on the theory of contract, or as an action for infringement under the Act of 1910.

Plaintiff's rights under the Sodeau patents, even if merely license rights, are exclusive and justify plaintiff's claim for royalty.

The questions as to plaintiff's title under the Sodeau patents, derived from the instrument "Appendix A" (Rec., p. 9) between the Armstrong Company and plaintiff, may be thus stated:

1. Whether the plaintiff has such legal title as would justify a suit for infringement under the Act of June 25, 1910.

2. Whether the plaintiff has such exclusive license rights as justify a suit for the recovery of royalties under a contract, express or implied, with the Government.

The Court below in its opinion has decided the first of these questions adversely to plaintiff, *but has left the second question undecided.*

The question as to whether plaintiff's title under "Appendix A" amounts to a legal title is not an essential question on this appeal. It might become important in case upon the trial of this action on the merits the Court of Claims should find that the evidence did not bear out the allegations in the pleadings as to the existence of a contract for royalty. In such event plaintiff would lose all recovery based upon superheaters made or purchased by the

Government prior to the Act of June 25, 1910. As to such since acquired plaintiff could unquestionably maintain an action of infringement by reason of its ownership of title in the fundamental Leavitt patents. If it could not then show title to the Sodeau patents it might be necessary for the Court to assess damages separately for infringement of the Leavitt patents alone. But if plaintiff could at that time show that under a proper interpretation of the instrument, "Appendix A," plaintiff had acquired the requisite title to the Sodeau patents, it would then be entitled to recover damages by reason of the infringement of those patents.

But as now presented the pleadings are drawn on the theory of contract. On this theory plaintiff submits that its exclusive rights under the Sodeau patents are sufficient to justify the recovery of a royalty thereunder *which the Government agreed to pay.*

Plaintiff's contention is a simple one. Accepting *arguendo* the lower Court's conclusion that the instrument, Appendix A, conveys a mere license, yet this license grants to plaintiff

> "the *sole and exclusive license* and authority to use and exercise the said inventions under the said Letters Patent * * * in the manufacture of apparatus for heating compressed air for the purpose of propelling Bliss-Leavitt torpedoes wherever sold by the Bliss Company, and Whitehead torpedoes sold only to the United States Government" (p. 10, par. 2).

There can be no doubt about the intent of this provision. It does not use the words "exclusive right

to make, sell and use" which are current in this country, but instead uses a phrase, viz., "the sole and exclusive license and authority to use and exercise" the invention, which, under English law, is of equivalent meaning.

> *Dunlop Pneumatic Tyre Coy., Ltd.,* v. *North British Rubber Coy.,* 21 R. P. C., 161, 172.

If there were any doubt about the meaning of this phrase it is set at rest by the language following, viz., "in the *manufacture* of apparatus * * * wherever *sold* * * * and * * * *sold* only to the United States Government."

Thus the granting clause contemplates the rights of manufacture, use and sale, and these rights are exclusive.

The fact that the enjoyment of these exclusive rights is conditional upon the obligation for future payments of royalties is immaterial. Such a provision may exist in an instrument interpreted as an assignment rather than a mere license.

> *Littlefield* v. *Perry,* 21 Wall., 220.

The exclusive rights conferred upon the Bliss Company are confirmed by the provision in Article 9 that the Armstrong Company shall not at any time during the continuance of this license

> "use or exercise the said invention, or any such future improvement or improvements as hereinafter mentioned; or grant any license to any other person or persons whomsoever to use or exercise the same, or any such improvement or improvements, for the

> purpose of propelling Bliss-Leavitt torpedoes, *or* Whitehead torpedoes, so far as such Whitehead torpedoes may be intended for sale to the United States Government."

These provisions constitute a covenant in aid of the exclusive grant contained in Article 2. The reference to "any such future improvement or improvements as hereinafter mentioned" refers to the covenant in Article 10 to communicate to the Bliss Company any improvement or addition to the said invention, or substitute therefor, so that the exclusive rights of the Bliss Company were extended to future inventions and made inclusive of all the Sodeau patents recited in the petition.

From the whole tenor of the instrument it is clear that it was the intention of the parties that the E. W. Bliss Company should enjoy the exclusive manufacture and sale of superheaters for torpedoes for the use of the United States Government. It was, of course, expected that the plaintiff would itself manufacture these superheaters (either as part of the torpedoes or independently) and sell them to the United States. But when the Government determined that it wished to manufacture these superheaters itself, it was appropriate that its application for permission to do so, so far as concerns the Sodeau improvements, should have been made to the E. W. Bliss Company and not to the Armstrong Company, because the Armstrong Company had excluded itself wholly from the manufacture, sale and use of the Sodeau inventions in torpedoes for the United States Government. It had done this by granting exclusive rights to the E. W. Bliss Company for the only two torpedoes then known or since or ever in ex-

istence or use, namely, the Whitehead torpedo and the Bliss-Leavitt torpedo. Hence, as these exclusive rights reposed in the plaintiff, the Government properly applied to the plaintiff for its license to manufacture. It also properly applied to plaintiff for its license to import torpedoes containing such superheaters, because to make them without plaintiff's license, or to use those made otherwise than with plaintiff's consent, would be an invasion of plaintiff's exclusive right.

The intent of the license agreement was that plaintiff should manufacture said superheater for use of the Government, that the Government should have the use of the invention, and that plaintiff should receive a profit therefrom by reason of its function as manufacturer and its position as exclusive licensee. It was precisely as if a patentee, A, licensed a manufacturer, B, to supply exclusively the requirements of C, a customer. In such case the party C could not have his needs filled by A, who had divested himself of the right to supply C. C could apply only to B. And if C preferred to manufacture for himself, he could acquire the right to do so only from B. In such case B, instead of making his patentee's profit as a part of his manufacturing profit, would take it in the form of a license fee or royalty.

So far as concerns the three parties in interest, namely, the Armstrong Company, the plaintiff, and the defendant, it makes absolutely no difference whether the superheaters are made by the plaintiff and sold to the defendant for a price which includes the patent fee or royalty, or are made by the Government for its own use, with the payment to plaintiff of the same royalty, or are made by some third

party under contract for the Government, and the latter pays to plaintiff the same royalty. In either case the Government gets its torpedo superheaters at a certain price; the plaintiff gets its remuneration either in its manufacturer's profit or as a royalty; the Armstrong Company in turn gets its stipulated royalty.

The Government, having recognized plaintiff's patents, having asked for royalty proposals, having acknowledged these, having procured superheaters from plaintiff according to those proposals, and having then proceeded to manufacture 100 superheaters for itself, is impliedly making these under license from the plaintiff and under obligation to pay an agreed royalty, or a fair and reasonable royalty. The Government, having applied for and received this license permission, and proceeded thereunder and enjoyed the advantages thereof, is not to be heard to question plaintiff's right to grant the license privilege. The case comes under the well-established principle that a grantee is estopped from questioning the title of his grantor.

The Government is in the position of a sub-lessee who, having occupied the premises, claims that the lease to the sub-lessor did not in terms carry the right to sub-lease the premises, and therefore refuses to pay rent.

Nor is the situation any different regarding the 360 torpedoes subsequently purchased from Whitehead & Company. As to these, the Government, instead of itself building the superheaters under license, procured Whitehead to build these for it. It is as though C, having been licensed by B to make for himself the patented article, finding it more convenient to have these made at some other

shop, employs D to make the articles and deliver them to C. This in law is precisely the same as if C made the articles for himself. *Qui facit per alium facit per se.*

Any logical chain of reasoning concerning the respective rights of the several parties under the Sodeau patents necessarily arrives at the result that anything done by agreement between the Government and plaintiff whereby the Government acquired the patented superheaters for use in the Whitehead torpedo or the Bliss-Leavitt torpedo, is within the agreement (Appendix A) if the plaintiff is to enjoy the benefit of its exclusive license; and it can enjoy this benefit only if it receives a fair return either in a manufacturing profit, including royalty, or by the receipt of a royalty dissociated from a manufacturing profit. Any other interpretation puts the Government in the position of a piratical tort feasor; a conclusion wholly inconsistent with the whole attitude of the Government concerning the inventions embodied in the Bliss-Leavitt torpedo, including the superheater inventions in issue.

For these reasons, and because this conclusion is essential to justice between the parties, it is submitted that the holding of the Court below on this question should be reversed.

Plaintiff's claim based on 50 superheaters purchased from Whitehead is not barred.

As to the first 50 superheaters purchased from Whitehead & Company, the Court below in its opinion apparently finds (Rec., pp. 22, 23) that the averments of plaintiff's petition are sufficient to

make out a case of express contract, except perhaps as to the amount of the royalty, but raises a question as to whether plaintiff's claim as to these may be barred by the statute of limitations. The Court says (p. 23) that the petition "does not fix the date of their purchase under the agreement mentioned," namely, the agreement made on or about June 17, 1907, and requires that the plaintiff make the allegations more specific.*

The Court intimates (p. 24) that the bar of the statute of limitations would commence to run from the date of *purchase* of the 50 superheaters in question. This is not a necessary conclusion. The Court correctly states that the bar "did commence to run when the claim first accrued," and that "a claim first accrues when a suit may first be brought upon it."

In plaintiff's amended petition (Rec., p. 6) this date is easily determined by implication. The Government wished plaintiff's consent to the importation of Whitehead torpedoes containing superheaters, not because Whitehead & Company could not manufacture or sell the superheaters (which they had a perfect right to do in foreign countries), but because plaintiff was the owner of the Leavitt patents covering such superheaters in this country, and was the exclusive licensee under the Sodeau patents covering the Armstrong improvements on the superheater for supplying the United States Government therewith, as applied to the only torpedoes then or now known. These patents gave the

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* This requirement plaintiff attempted to comply with in the second amended petition. See Pet. Cert., pp. 35-36, sub-par. (*c*), where the additions appear in italics.

exclusive right to make, vend and use the superheaters (*Waterman* v. *Mackenzie,* 138 U. S., 252). The Government, buying torpedoes abroad containing these superheaters, would not bring them under the protection of the patents until they were (1) first purchased and delivered to the Government, so as to come into its possession; (2) imported into this country, so as to bring them within the territory covered by the patents, and (3) put into use by the Government in the manner contemplated by the patents, that is, for heating the compressed air for propelling the torpedo. Of the monopoly to make, vend and use, only the latter comes in question. Hence, if this were a case of infringement, the infringement would begin only after the acquisition of the torpedoes by the Government, their importation into this country, *and their use* in torpedoes by the naval officials. This is not a case of infringement, but a case of a license for the purpose of avoiding infringement. *The license right attaches then from the same date when, without the license, infringement would begin.* Hence, in the absence of any express agreement as to the precise date when the royalties should become due, so that an action could be maintained for their recovery, this date is as a matter of law to be determined as of *the date when* USE *within this country* (such as without a license would have been an infringement of the patent) *began.*

The averment in the petition is:

> "That subsequently (to June 17, 1907) defendant bought of Whitehead & Company, pursuant to said agreement, 50 torpedoes containing said superheater inventions, which were, as petitioner is informed and

believes, brought into the territory of the United States subsequent to June 1, 1908" (p. 6).

From this averment it is clear that the superheaters did not come within the United States until after June 1, 1908, and hence were not yet within the territorial operation of plaintiff's letters patent, and their *use* pursuant to license could not have begun until later. Plaintiff had no chose in action for the agreed license fee or royalty until after the license began to operate in defendant's favor (it might have been otherwise if some definite date for payment had been agreed upon). As June 1, 1908, was within six years prior to the filing of plaintiff's petition by which this suit was begun, the suit clearly is not barred by the statute of limitations.

Plaintiff is, in any event, entitled to recover under the Act of June 25, 1910.

The Court of Claims erred in dismissing plaintiff's petition because if plaintiff's suit cannot be maintained on the theory of contract, it is in part, at least, maintainable on the theory of tort. That is, as to all superheaters purchased or made by the United States since June 25, 1910, plaintiff has an action for infringement if it has not an action for royalties under contract. As to such superheaters subsequently acquired, if defendant did not agree to pay for them, it acquired them by infringement of plaintiff's patents. The petition recites the following superheaters since June, 1910, viz., for

180 torpedoes purchased March 29, 1911;
50 torpedoes purchased October 25, 1911;
100 superheaters made since April 13, 1915;

making a total of 330 superheaters, as to which plaintiff's claim would not be limited to an agreed royalty of $500, but could be maintained for as much as plaintiff could show was, in view of the value of the invention, "reasonable compensation," which is presumably the same as a "reasonable royalty."

> *Dowagiac Mfg. Co.* v. *Plow Co.*, 235 U. S., 641.

In the *Farnham* case this Court, in affirming the judgment of the Court of Claims dismissing a claim presented on the theory of implied contract, called attention to the fact that the period included extended five days after the approval of the Act of June 25, 1910, and said:

> "The judgment, however, should be without prejudice to the presentation of any claim the petitioner may have under the statute."

> *Farnham* v. *United States*, 240 U. S., 537.

Under this authority it is clear that so much, at least, of plaintiff's claim as rests upon superheaters acquired since the date of that Act may be maintained, and that the Court of Appeals should have safeguarded this right and not dismissed plaintiff's petition *in toto*.

In conclusion it is respectfully submitted that the decision of the Court of Claims was erroneous and should be reversed.

New York, February , 1920.

FRANK H. PLATT,
ARTHUR C. FRASER,
Counsel for Appellant.

SUPPLEMENT TO BRIEF

as to Matters Contained in Petition for Certiorari for Diminution of Record.

Inasmuch as appellant's Petition for Certiorari is renewed with leave of this Court, additional arguments based thereon are submitted, in anticipation of the grant of said petition.

Attention is called to paragraphs 8, 9, 10, 11 and 12 of the assignment of errors (see pp. 9-10 herein).

As to these matters the Court is asked especially to read the brief appended to the Petition for Certiorari (p. 60 thereof).

The Court of Claims had itself decided in this case that plaintiff's petition set forth a cause of action on contract.

Plaintiff's original petition (see Pet. Cert., p. 6, Appendix 1) was in effect demurred to by a motion to dismiss (Pet. Cert., p. 17, Appendix 2). The grounds for this motion were:

> "That no express contract to pay plaintiff the royalty claimed or any royalty for the 510 torpedoes alleged to have been purchased and made by defendant is shown.
>
> That, from the facts and things alleged in the petition, no contract to pay plaintiff the royalty claimed or any royalty for the 510 torpedoes complained of can be implied."

Turning now to the Record, we find (p. 1) the entry:

> "On December 4, 1916, the defendant's motion to dismiss was overruled."

No opinion was filed, but the necessary conclusion is that the Court of Claims found that the original petition did present a cause of action based upon contract.

That this decision sustaining the original petition is equally applicable to the amended petition is seen by comparing the original petition (Appendix 1, *supra*) with the amended petition (Rec., pp. 1-9). The differences between the two do not affect this question, but affect solely plaintiff's title to the Sodeau patents (viz., pars. 5-a to 5-h and the insertion of par. 10-a).

Thus the Court of Claims at the first interlocutory proceeding in this suit correctly decided that the suit was sustained by a proper recital of facts constituting a cause of action *ex contractu*. This question was never again argued. Further interlocutory proceedings related to questions of title concerning the Sodeau patents, until in the "Demurrer and Motion" filed June 2, 1917 (Rec., p. 13), the defendant introduced as ground of demurrer:

> "1. That the facts and things alleged in said petition do not make or constitute any cause of action against defendant, nor any cause of action in which this court has jurisdiction."

As this question had already been argued and decided, and as three arguments had been had and several briefs filed on the other questions raised, the case was submitted to the Court on proofs under the circumstances stated in affidavit of Arthur C. Fraser (see Pet. Cert., p. 5). That appellee's counsel had the same understanding, see "Memorandum in Reply to Appellant's Petition for

Certiorari," pages 2-3. Plaintiff's counsel had no reason to apprehend that the Court would, without further argument, reconsider its own ruling of December 4, 1916, much less that the Court would reverse itself on this question.

The Court of Claims should have permitted the filing of the second amended petition.

It would appear from Rule 24 of the Court of Claims that a plaintiff might amend his petition "at any time before he has closed his testimony, without special leave." The last sentence, "Any subsequent amendments must be by leave of court," appears from the context to refer to amendments after closing the testimony, or after the trial. It is submitted, therefore, that plaintiff's second amended petition should have been placed on file.

As the new matter in this second amended petition is printed in italics (Pet. Cert., pp. 25-44), the changes thereby made may be readily perceived. The principal changes are:

As more fully showing the recognition of plaintiff's patents by the Government, its adoption and repeated purchases of the Bliss-Leavitt torpedo containing the patented superheater are recited.

As showing the importance of the superheater invention, the increases in speed and range of the torpedo due thereto are stated in detail (par. 3).

To more fully emphasize the importance of the underlying Leavitt patents, and the relation of the Sodeau patents thereto, the statements in paragraph 6 a are inserted.

In paragraph 9-a are stated the facts as to the approval by the United States of the superheater, its advantages, and the number of torpedoes purchased by the Government containing such super-

heaters. Also, in paragraph 9-b, the precise relations of the parties are stated more in full.

To show more fully the facts concerning the importation of the first 50 Whitehead torpedoes, a more detailed recital thereof is given in paragraph 9-c.

And further, to avoid any possible misunderstanding of the allegations in the petition (such as the Court of Claims has fallen into in its opinion of December 3, 1917), the following is inserted at the end of paragraph 10, viz.:

> "And that all of said purchases, so far as concerns the superheaters in or adapted to . . Whitehead torpedo, and all of said manufacture of superheaters by defendant, have been with petitioner's consent and license and with the understanding and expectation by petitioner that petitioner should receive therefor its royalty for said superheaters as hereinbefore stated."

In short, the opinion of the Court of Claims indicated that that Court had misunderstood plaintiff's petition by reason of its brevity and conciseness as a pleading, and to more effectually correct and avoid such misunderstanding and make unmistakably clear the intent of the pleading, the averments thereof were considerably amplified in the second amended petition.

The second amended petition did not in any way vary or extend the cause of action, but merely stated more fully and clearly the matters originally more briefly averred in the original petition.

Even if the Court of Claims had found adequate reason for denying to plaintiff the privilege of so

fully amending its petition, it should at least have admitted such amendments therein contained as were in compliance with the order of Court entered December 3, 1917, namely, the more complete recital concerning the purchase and importation of 50 Whitehead torpedoes containing the superheaters in question (par. 9-c).

The Court of Claims erred in penalizing plaintiff by reason of a merely technical default.

The final judgment is based (Rec., p. 26) on plaintiff's not having complied with the order of December 3, 1917, to make the petition more specific as to certain items of the claim. The order required that the petition be thus amended by January 15, 1918. Because of the death of plaintiff's attorney of record, Mr. L. S. Bacon (who lay mortally ill on December 3, 1917, and died three days later), and because no notice was given to the New York counsel for plaintiff, plaintiff through its counsel received no notice of this order and did not in fact learn of the order until January 29, 1918 (Affidavit, Pet. Cert., pp. 22-24). The second amended petition was presented February 18, 1918, with a motion for leave to file, and an affidavit fully stating why it had not been filed within the required time (Pet. Cert., pp. 21-24). On this showing the default should have been opened and leave to file granted.

The Court of Claims should have granted plaintiff's petition for rehearing on the showing made.

This petition for rehearing (Pet. Cert., p. 49, Appendix 8) speaks for itself. It shows clearly

that the Court's dismissal of plaintiff's petition as not stating a cause of action *ex contractu* was erroneous. Also, that the Court's conclusion that it rested upon plaintiff's title to the Sodeau patents was erroneous. Also, that plaintiff's title to the Sodeau patents was sufficient to sustain a claim based upon contract. In short, the petition for rehearing showed that the Court of Claims had proceeded upon a wholly erroneous understanding of plaintiff's claim as set forth in its pleading, and upon such showing the Court should have granted a rehearing in order that it might have been set right as to questions of both law and fact by a reargument.

The Court of Claims based its dismissal of the petition for rehearing upon its Rule No. 90, which is entitled "New Trial" and relates to its "findings of fact or its conclusions" (evidently on final hearing), and says:

> "Motions for new trial, except as provided by section 1088 of the Revised Statutes (sec. 175 of the Judicial Code), shall be filed within sixty days from the time the judgment of the court is announced."

But this rule appears from its text to be limited to a final judgment and not to include an interlocutory order on a demurrer or motion. Plaintiff's counsel so interpreted it. Even if this interpretation is deemed incorrect, the slightly longer delay (eighteen days) might well have been excused (as the defendant was not thereby prejudiced) in view of the showing made that the Court had incorrectly applied the well established law.

IT IS SUBMITTED that the amplified record contained in the appendices to the Petition for Certiorari strengthens the showing made by the certified record and that, if admitted by this Court, all of appellant's assignments of error are supported.

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